

Wall Street Scans the Lots as Used Cars Prod Inflation

The Manheim Used Vehicle Value Index, an obscure tracker of wholesale used-car prices, has become closely watched by the finance world's high rollers.

By Matt Phillips

Published Sept. 27, 2021 Updated Oct. 1, 2021

The hottest ride on Wall Street right now is the humble used car.

The cost of clunkers and dealership trade-ins has suddenly become market-moving information, with analysts, economists and traders fixating on an obscure indicator called the Manheim Used Vehicle Value Index.

"I've never spent so much time looking at it," said Robert Rosener, a senior U.S. economist at Morgan Stanley. "I don't think I've ever spent so much time talking about used car prices in my life, either."

The Manheim index provides a monthly update on the prices of used cars sold in wholesale auctions. And with the used car market booming partly because of a chip shortage for new vehicles, the index offers crucial information for investors trying to answer an important question: What's happening with inflation?

Over the last year, consumer prices have risen more than 5 percent, the fastest pace in more than a decade. This is an important consideration for virtually everyone on Wall Street. High inflation is a major threat for bond investors, because over time it erodes the real-world return of the regular interest payments they receive. Inflation also matters to stock market investors because, historically, it has prompted the Federal Reserve to increase rates, which can send shares tumbling.

The Fed has repeatedly said the recent uptick in prices is "transitory," a result of the unusual shortages dogging the economy because of the pandemic. And right now a big reason for a surging Consumer Price Index — a key benchmark for inflation in the United States — is a shortage of automobiles.

"People had a preference for private transportation rather than public during the pandemic," said Phoebe White, an analyst at J.P. Morgan covering the bond market. "There was sort of this exodus out of cities. So there was more of a need for cars."

But new car production has been constrained. Factories ground to a near halt last year to keep autoworkers, who perform their tasks in close quarters, from contracting the coronavirus. And limited supplies of computer chips, a result of similar shutdowns at electronics plants, have prevented carmakers from returning to normal production this year.

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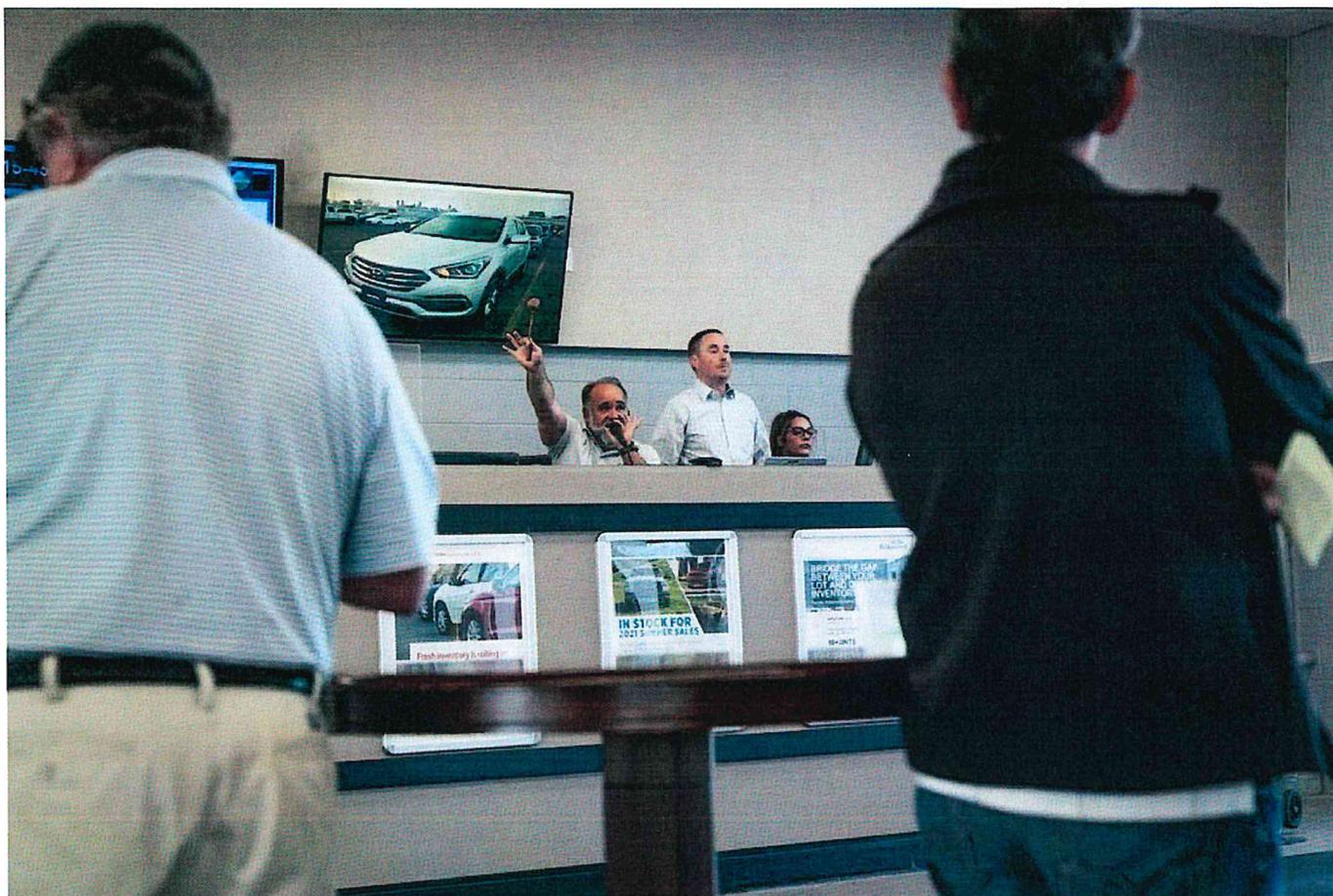
So buyers have flocked to the used market, catapulting prices. In June, prices for used cars and trucks were up 45 percent from a year earlier, according to the Bureau of Labor Statistics, which produces the Consumer Price Index. That pace has slowed somewhat since, but in August used car and truck prices were still up nearly 32 percent from a year earlier.

Used car prices typically aren't a big factor in inflation, but the big jump changed that. Analysts knew that if they could somehow predict where used car prices would be in a few months, it would give them a good sense of how high inflation

would be.

“This one component, which has contributed so much to overall inflation in the first half of the year, how far and how fast is it going to come down?” said Brett Ryan, an economist at Deutsche Bank, who now watches used car prices closely each month. “Manheim is your best guide.”

Manheim, which takes its name from the Pennsylvania town where the company got its start, has long been a division of Cox Enterprises, a privately held conglomerate based in Atlanta. It operates roughly 80 wholesale auction sites across the country, where dealers, rental agencies and companies that maintain vast vehicle fleets meet to buy and sell more than five million cars each year.



Matt Carrick auctioning off a used vehicle at the Michigan site, one of about 80 that Manheim operates. Sarah Rice for The New York Times

Data from each of those sales is distilled into an average, with some adjustments made to smooth out any idiosyncrasies in the mix of cars sold in a given month. (Otherwise, cars unloaded by a Mercedes-Benz dealer, for instance, or a major rental company could skew the number.)

The attribute of the Manheim index that analysts adore is that it captures the wholesale prices that dealers pay, which typically determine what consumers are charged a couple of months later. That makes Manheim a leading indicator of consumer prices, usually offering a two- or three-month jump on the numbers that show up in the Consumer Price Index.

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For instance, wholesale prices, as measured by Manheim, jumped 8.3 percent in April. (They were up 54 percent over the previous year.) Two months later in June, used car prices, as measured by the Consumer Price Index, jumped 10.5 percent from the previous month.

But Manheim's prices started to rise more slowly, and then fell. In June, they dropped 1.3 percent. Like clockwork, consumer prices declined 1.5 percent two months later. Manheim prices have continued to fall, suggesting further drops will continue to come for consumers.

The index has been published since 1997, but it has never gotten as much attention as it has this year, said Jonathan Smoke, chief economist for Cox Automotive, the unit that owns the auction business.

"I've had my own share of economist colleagues in other industries kind of constantly reaching out and asking me for insights on how the Manheim Index is performing," Mr. Smoke said. "So I'm certainly seeing interest by a broader set of people than what we traditionally have."

While Wall Street's infatuation with used car pricing is new, it's normal that financial events send analysts scrambling to examine data that many had probably never heard of previously.

During the financial crisis of 2007 and 2008, all eyes were suddenly locked on a series of so-called ABX indexes, which tracked the price of default insurance on packages of risky mortgages. These indexes plunged as investors suddenly realized a giant share of these couldn't be repaid.

When the European debt crisis began in 2010, researchers became riveted to a once-obscure set of numbers produced by the European Central Bank, known as Target 2 data. These numbers tracked the balance of loans and debts among European central banks, and provided a shorthand way to assess how much money was fleeing the banking systems of heavily indebted countries such as Greece.



The chief economist of Cox Automotive, which owns the business behind the Manheim Used Vehicle Value Index, said he was “certainly seeing interest by a broader set of people than what we traditionally have.” Sarah Rice for The New York Times

Similarly, when the pandemic started, financial researchers suddenly familiarized themselves with the metrics that enabled them to track the pace at which the virus was spreading, often known as the R number, as they assessed the prospects for economic disruption.

Even with the Manheim index pointing to a slowdown in inflation, there are still some reasons to think car prices could stay elevated over the next few months. Flooding from Hurricane Ida damaged an estimated 200,000 cars from Louisiana to New York, according to Carfax. That could make used car supplies even tighter while pushing new buyers into the market.

And the chip shortage continues to trip up production plans: Toyota, Ford Motor and General Motors have all announced plant shutdowns or production cuts in the past month.

But over the longer term, the key question that economists now have about car prices is how much they could fall — and reverse the direction they’re pushing inflation.

“Next year, if we’re seeing used car prices reverse all the way back, we’re going to be talking about an outsized downside influence that used car prices might be having,” said Mr. Rosener of Morgan Stanley. “That’s where you’re going to have continued prominence of data like Manheim.”

Matt Phillips covers financial markets. Before joining The New York Times in 2018, he was editor in chief at Vice Money and a founding staffer at Quartz, a business and economics website. He also spent seven years at The Wall Street Journal, where he covered stock and bond markets. @MatthewPhillips

A version of this article appears in print on , Section B, Page 1 of the New York edition with the headline: Why Wall Street Suddenly Has an Eye Out for Used Cars

\$29K for an average used car? Would-be buyers left shocked



Prices for used cars have soared so high that buyers are being priced out of the market. Above, a certified used car dealership in Schaumburg, Illinois. Nam Y. Huh/AP 2021

BY TOM KRISHER ASSOCIATED PRESS

DETROIT — A couple of months ago, a woman paid a visit to Jeff Schrier’s used car lot in Omaha, Nebraska. She was on a tight budget, she said, and was desperate for a vehicle to commute to work.

She was shown three cars priced at her limit, roughly \$7,500. Schrier said the woman was stunned.

“That’s what I get for \$7,500?” he recalled her saying.

The vehicles had far more age or mileage on them than she had expected for something to replace a car that had been totaled in a crash.

The woman eventually settled on a 2013 Toyota Scion with a whopping 160,000 miles on it. Schrier isn't sure he made any profit on the deal.

"We just helped her out," he said.

As prices for used vehicles blow past any seemingly rational level, it is the kind of scenario playing out at many auto dealerships across the country. Prices have soared so high, so fast, that buyers are being increasingly priced out of the market.

Consider that the average price of a used vehicle in the United States in November, according to Edmunds.com, was \$29,011 — a dizzying 39% more than just 12 months earlier. And for the first time that anyone can recall, more than half of America's households have less income than is considered necessary to buy the average-priced used vehicle.

The days when just about anyone with a steady income could wander onto an auto lot and snag a reliable late-model car or buy their kid's first vehicle for a few thousand dollars have essentially vanished.

The blame can be traced directly to the pandemic's eruption in March 2020. Auto plants suspended production to try to slow the virus's spread. As sales of new vehicles sank, fewer people traded in used cars and trucks. At the same time, demand for laptops and monitors from people stuck at home led semiconductor makers to shift production from autos, which depend on such chips, to consumer electronics.

When a swifter-than-expected economic rebound boosted demand for vehicles, auto plants tried to restore full production. But chip makers couldn't respond fast enough.

And rental car companies and other fleet buyers, unable to acquire new vehicles, stopped off-loading older ones, thereby compounding the shortage of used vehicles.

Bleak as the market is for used-car buyers, the computer chip shortage has also driven new-vehicle prices higher. The average new vehicle, Edmunds.com says, is edging toward \$46,000.

Even so, prices of used cars are likely to edge closer to new ones. Since the pandemic started, used vehicle prices have jumped 42% — more than double the increase for new ones. Last month, the average used vehicle price was 63% of the average new vehicle cost. Before the pandemic, it was 54%.

Including taxes, fees, a 10% down payment, and an interest rate of around 7.5%, the average used vehicle now costs \$520 a month, even when financed for the average of nearly six years, Edmunds calculated.

David Paris, a senior manager at J.D. Power, noted that used vehicle prices are directly tied to the cost of new ones. Though some automakers report that the computer chip

supply is gradually improving, prices paid by dealers at used vehicle auctions kept rising through November, Paris said.

Among the few consumers who stand to benefit are those who want to sell a used car and don't necessarily need to replace it. The average trade-in value in October, Paris said, was \$9,000 — twice what it was a year earlier.

Some people may have to pay for repairs to keep a current vehicle running as long as possible. But even that option can become prohibitively expensive.

General

Average Used Car Price Tops \$27,000 for First Time



The average used car list price in America at the end of November was \$27,569. That's 27% higher than in November of 2020. It's a jaw-dropping 41% higher than in November of 2019, the last month before COVID-19 was first detected and knocked the world's economy off its tracks.

Several Forces Driving the Surge

Used car prices have been rising throughout 2021 due to a host of factors.

Vaccines stemmed the tide of COVID-19 infections, spurring an economic recovery that left millions of Americans with money to spend. Headed back to work and school and nervous about public transportation, they wanted cars.

But a worldwide shortage of microchips left new cars in short supply. That [pushed new car prices to record highs](#), sending many would-be new car shoppers into the used car market instead — where they drove up prices and bought out inventory.

Inventory Starting to Build

America's used car dealers had 2.31 million vehicles available for sale at the end of November. That number holds important news for car shoppers. They ended October with 2.25 million.

But it's still below normal. Car dealers measure their stock in a metric they call days of inventory - how long it would take them to sell out of cars if they stopped acquiring new ones. That number stood at 44 as November ended. That is still 15% below levels from one year ago.

But it's up from 41 days' supply one month before.

[The wholesale prices dealers pay for the used cars they later sell continue to climb.](#) But they are climbing slower now than they were in autumn.

Taken together, all of these signs point to a slight turnaround, when used car prices may finally end the rocket ride they've been on all year long.

Cheapest Cars Still the Hardest to Find

The news isn't all good for shoppers. Dealers still find themselves low on the least-expensive cars.

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America's automakers scaled back production during the post-2008 recession. That leaves few of the older, higher-priced cars dealers can sell for low prices on the market.

Used cars priced under \$10,000 remain in the shortest supply. Those priced over \$25,000 are most plentiful.

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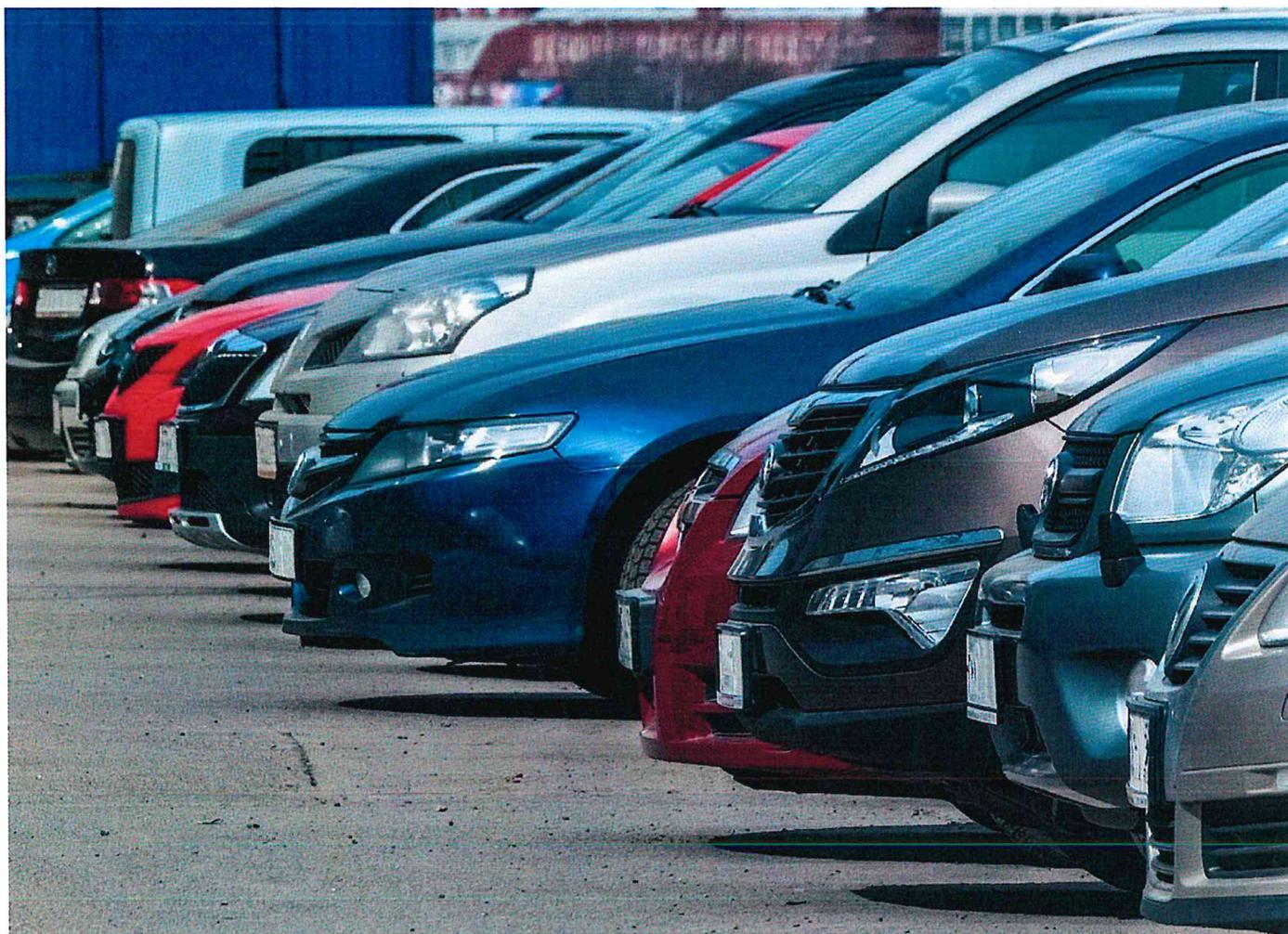
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Report:

USED CAR PRICES INCREASE IN OCTOBER

Chris Teague | Nov 16, 2021

It's no secret that the auto market has been in uncharted waters in 2021. The COVID-19 pandemic and microchip shortages have thrown major kinks into supply chains worldwide, making it difficult for automakers' production lines to keep pace with buyer demand. Fewer new cars mean that people turn to used cars, and the increase in demand drives prices skyward. How high? J.D. Power's Used Vehicle Price Index finds almost universally strong growth in October.





The October 2021 Used Vehicle Price Index shows an increase in used-car prices for the month, marking the first time in 25 years prices have climbed from September to October. As J.D. Power notes, used-vehicle prices typically cool off with the weather in the fall, but disruptions in the new-vehicle market have led

buyers and dealers to fall back on used vehicles to fill the gap. An increase in demand has led to increased prices—to the tune of 37 percent higher in October 2021 than in 2020. Prices are projected to remain stout through 2022.

Nearly every part of the auto market saw price increases from September to October 2021 as well. Midsize cars and compact SUVs led the way for mass-market vehicles, with growth rates of 4.5 and 4.2 percent, respectively. On the premium side, compact SUV pricing grew by 5.4 percent, and compact car prices increased by 4.5 percent. The only two segments to experience a slight cooling off were midsize pickups on the mass-market side and large cars on the premium side. Wholesale prices showed significant increases year-over-year, with segments such as small cars seeing over 50-percent jumps in pricing.

J.D. Power attributes the strong growth in car prices to various factors, including higher fuel prices, which typically drive demand for smaller, more fuel-efficient vehicles. Younger drivers also gravitate toward cars over **SUVs (<https://www.jdpower.com/cars/shopping-guides/what-does-suv-stand-for>)** and pickups because of their relative affordability.

ALG, a division of J.D. Power, forecasts that new-vehicle supply will finally overtake demand by 2025. The shift should bring back more substantial incentives and discount programs, and the return of inventory will help move more used cars into the market as people have choices on new dealers' lots. In the meantime, ALG finds that the current situation, where demand far outstrips supply, allows dealers to draw extreme profit margins out of historically low sales volumes.

J.D. Power is the source of information for this article. It was accurate on November 16, 2021, but it may have changed since that date.

Related Resources

- **Research a Vehicle** (<https://www.jdpower.com/cars>)
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Used car prices up 37% year-over-year as supply constraints bite

According to JD Power's data, used car prices start to cool off this time of year. This year, that's not the case.



Sean Szymkowski
Nov. 18, 2021 9:02 a.m. PT

▶ LISTEN - 01:11



The market remains in a very hot state.

Fahroni/Getty Images

This year's been a norm-busting time for a number of reasons, and used car prices are included. JD Power published a market update on Monday and delivered more bad news for used car prices: they're still rocketing upward. After a brief reprieve this summer, the latest data from October 2021 showed prices rose 37% year-over-year compared to 2020. In other words, used cars cost almost 40% more than they did this time last year.

The car market, in general, continues to suffer from major supply issues and the crux of the used car problems still comes from new car inventories. Automakers are churning out fewer new cars, leaving dealers with smaller stocks, so many buyers are turning to used cars instead. In turn, wholesale auction prices climb as demand rises for used cars, and the prices dealers

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through supply chain woes into next year. However, we may see some fluctuations up and down.



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General

A Used Car Price Bubble? New Report Says Yes



You've seen the stories all year – used car prices are rising faster than ever. Inflation has hit American wallets in many ways in 2021, but perhaps nowhere as intensely as in the price of used cars.

Could it lead to a bubble?

A new report from accounting giant KPMG says yes. Americans who bought used cars during the current price spike could find themselves driving an asset worth less than they owe on it. If the bubble bursts, trade-in values could crash.

KPMG built its report, in part, with data from Kelley Blue Book parent company Cox Automotive.

How We Got Here

A perfect storm of factors combined to quickly heat the used car market in 2021.

The worst of the economic slowdown caused by the COVID-19 pandemic began to ease. Americans got vaccinated. Government assistance helped many catch up on bills and start to shop again.

But automakers had few new cars to sell them. A worldwide microchip shortage left the automotive industry building fewer cars than planned. "In Q3 2021, new-car production fell to about a 12-million-unit annual rate," KPMG notes, when 17 million might have been expected if not for the collision of several crises.

That pushed new car prices up – [the average new car sold for more than \\$46,000 in November](#), a 13% increase in just one year. Higher new car prices sent many shoppers into the used car market.

But the used car market was rocked by its own wave — one tracing back many years. Automakers had trimmed production for several years after the 2008 recession. That left fewer of the older, higher-mileage used cars dealers sell for under \$10,000. With more buyers but only a small supply of expensive, recent cars, the used car market saw inflation that made new car prices look tame.

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[In November, the average used car sold for more than \\$27,000](#) – a 27% increase in just one year and 41% higher than the pre-pandemic average of two years ago.

What Could Happen Next

"History tells us the current frenzy in the used-car market will come to an end," KPMG says. As the microchip shortage and other supply chain problems ease, "the massive auto manufacturing machine will shift back into high gear, and dealer lots will again be full. When that happens, the used-car market could collapse."

If the normal relationship between new and used car prices is restored, KPMG says, "That would imply a drop in used-car prices of about 30% below where they are today." The drop could be less dramatic if inflation persists.

What That Means for Drivers

Among the implications of such a drop, KPMG says:

- By the end of 2021, some 17 million consumers — the equivalent of a full year's sales — will own vastly overpriced used vehicles. This number is growing by close to 2 million used-car buyers a month.
- Over half of these overpriced vehicles are financed, posing potential risks to lenders and investors in the \$1.4 trillion auto-loan business. Moreover, these buyers will have little to no equity in their cars, making future car purchases unaffordable.

KPMG's analysts can't say when price drops might begin, noting that inflation could be with us a long time. The current political situation makes government solutions hard to predict.

upside down on their used car loans.

“We expect the market to anticipate the turnaround in the new-car supply situation ahead of time and begin repricing used cars before new-car lots are full and used-car demand returns to normal,” the report notes.

Related: Is Now the Time to Buy, Sell, or Trade-In a Used Car?

There’s little good news for shoppers in the projections. We would note that [the average car on American roads is over 12 years old now](#). So many who bought late-model used cars may keep them long enough that a crash in trade-in value wouldn’t affect them much.

But, if you can, this remains a good time to fix your existing car and keep it running until prices stabilize.

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Pay Up: Average Price of a Used Car in America Shockingly Close to \$30,000

By Matthew Guy on January 3, 2022

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It will surprise exactly zero of our readers that prices of second-hand vehicles are through the roof. A constricted new car supply which leads to a dearth of trade-ins has contributed to customers facing the prospect of paying exorbitant sums for previously loved vehicles. Now, a new stat from Edmunds.com puts a precise number on the issue.

00:13 / 06:58

According to a *Detroit News* story, eggheads at Edmunds.com have reported the average price of a used vehicle in November 2021 was a staggering \$29,011. This figure is very nearly 40 percent more than it was just one year prior, putting an exclamation point on the notion that deals on second-hand cars are few and far between these days. The era of waltzing onto a dealer's lot and finding a good vehicle for the price shown in this post's hero image is squarely on the back burner.

Parsing these numbers reveals some alarming details. That average price represents a payment of \$533 per month when calculated with \$0 down and 5 percent state taxes on a 72-month note signed at 7.95 percent. That latter number is not as exorbitant as one might think if someone has good-but-not-great credit. Now, the gubbmint census department claims the median household income in 2020 was \$67,521 and many talking heads in the investment arena suggest that one's car shouldn't consume more than 20 percent of their take-home pay. Considering the noted monthly payment, plus items like insurance and fuel, it starts to become clear why some media outlets may now breathlessly report that the average American can no longer afford a used car.

Oh, by the way – the same experts suggest the average price of a new car is rapidly approaching \$46,000. Alert readers will quickly calculate this represents an uncomfortable truth that the average used car is priced at 63 percent of a new one. That's borderline terrifying but it wasn't always so. Back in 2019, this number was roughly half.

It doesn't take a major in Economics to predict these sums are going to cause problems down the road if prices return to pre-pandemic levels. Even if values simply return to some semblance of sanity, there will be umpteen zillion customers who will be upside-down on their vehicle notes. This will create one of two scenarios: Sensible shoppers who find themselves too far in the ditch will simply hang onto their car (exacerbating the supply problem and perhaps driving values up again) or the country will end up in some kind of sub-prime crisis like we were a decade ago.

Neither is much fun. Shopping wisely has never been more important.

[Image: Shutterstock]

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J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

December 2021

J.D. Power Valuation Services

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SUMMARY

November was the Strongest Month on Record for Used Trucks

November was the strongest month on record for all segments of the used medium and heavy truck market. Buyers continue to pay retail pricing at auctions, to the point where trucks regularly bring higher pricing at auction than retail. Incoming December data shows the throttle firmly to the floor.

CLASS 8 AUCTION UPDATE

Volume pulled back again in November, mostly due to a lack of inventory. Pricing for the newest trucks available jumped notably, with soon-to-be-5-year-old trucks knocking on the door of 6 figures. See below for results:

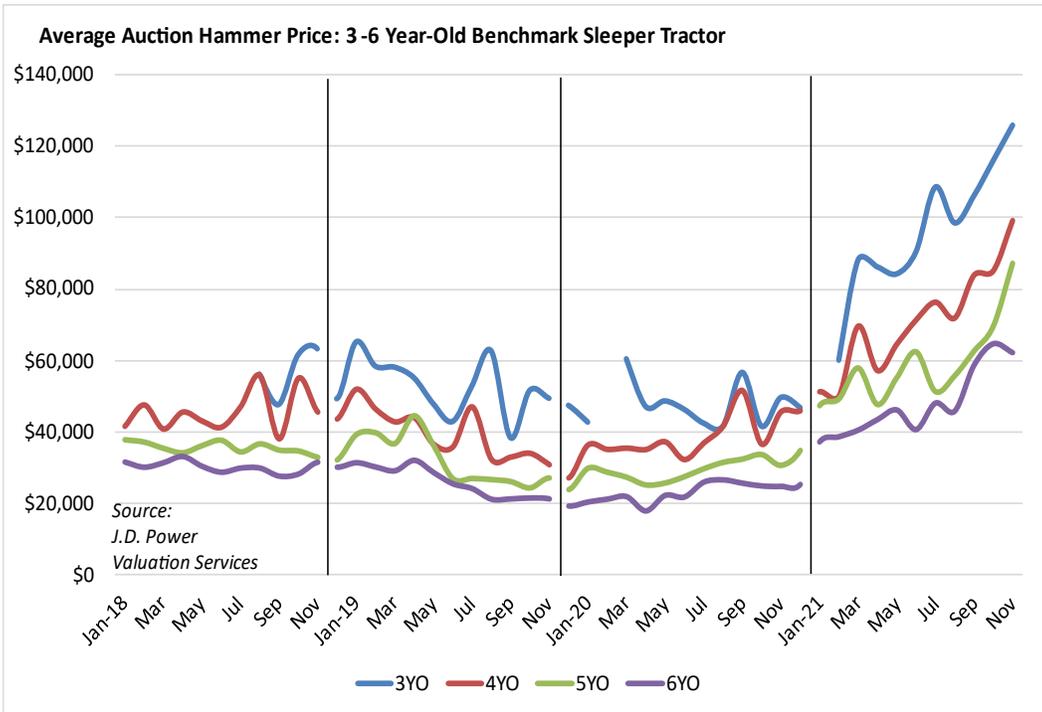
- Model year 2018: \$99,120 average; \$14,063 (16.5%) higher than October
- Model year 2017: \$87,071 average; \$17,662 (25.4%) higher than October
- Model year 2016: \$62,360 average; \$2,477 (3.8%) lower than October
- Model year 2015: \$50,969 average; \$6,449 (14.5%) higher than October
- Model year 2014: \$44,356 average; \$9,738 (28.1%) higher than October

Pricing for the newest trucks available jumped notably...

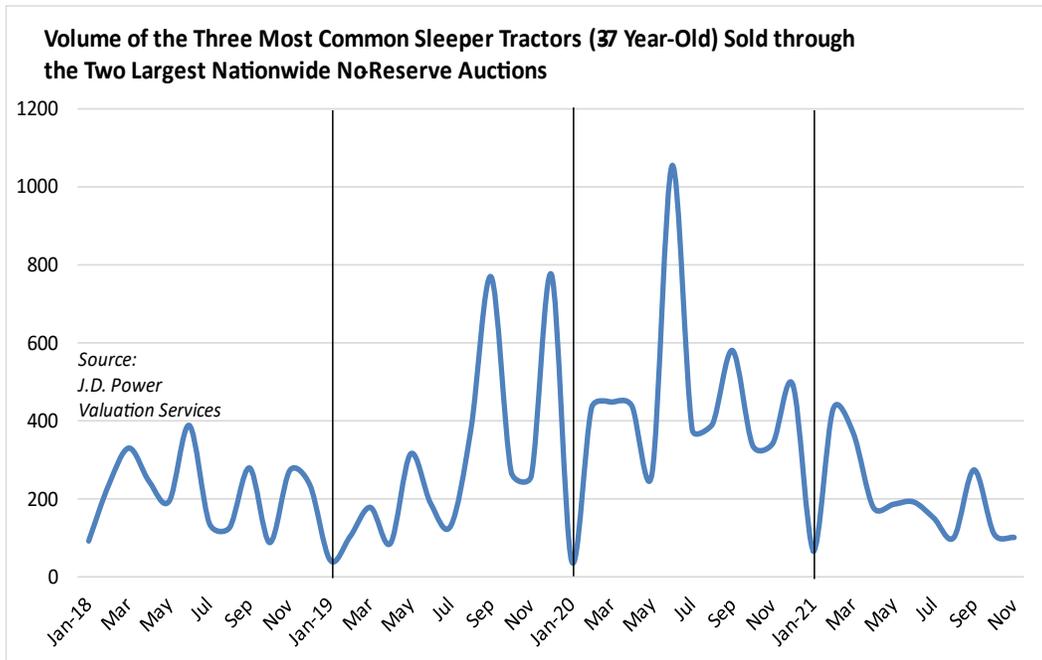
Month-over-month, our benchmark group of 4-6 year-old trucks brought 13.3% more money. Compared to the first 11 months of 2020, this group is running 95.6% ahead, and compared to the same period of 2019, 81.7% ahead. Late-model trucks have appreciated 7.1% per month on average in 2021 to date.

The sense of urgency is stronger than ever in the auction lanes, with buyers desperate for low-mileage iron. Pricing may plateau in the next few months, but we don't see a major market shift happening in the first quarter.

See the "Average Auction Hammer Price..." and "Volume of the Three Most Common Sleeper Tractors..." graphs for detail.



Late-model trucks have appreciated 7.1% per month on average in 2021 to date.



CLASS 8 RETAIL UPDATE

Used truck retail pricing has never been higher, at least in the modern era.

The average sleeper tractor retailed in November was 74 months old, had 460,645 miles, and brought \$89,979. Compared to October, this average sleeper was one month older, had 10,167 (2.3%) more miles, and brought \$7,391 (8.9%) more money. Compared to November 2020, this average sleeper was 7 months older, had 14,267 (3.2%) more miles, and brought \$41,272 (84.7%) more money.

Looking at trucks two to six years of age, November's average pricing was as follows:

- Model year 2020: \$134,812; \$634 (0.5%) higher than October
- Model year 2019: \$120,418; \$12,764 (11.8%) higher than October
- Model year 2018: \$92,189; \$5,788 (7.4%) higher than October
- Model year 2017: \$77,016; \$4,334 (6.0%) higher than October
- Model year 2016: \$62,979; \$7,075 (12.7%) higher than October

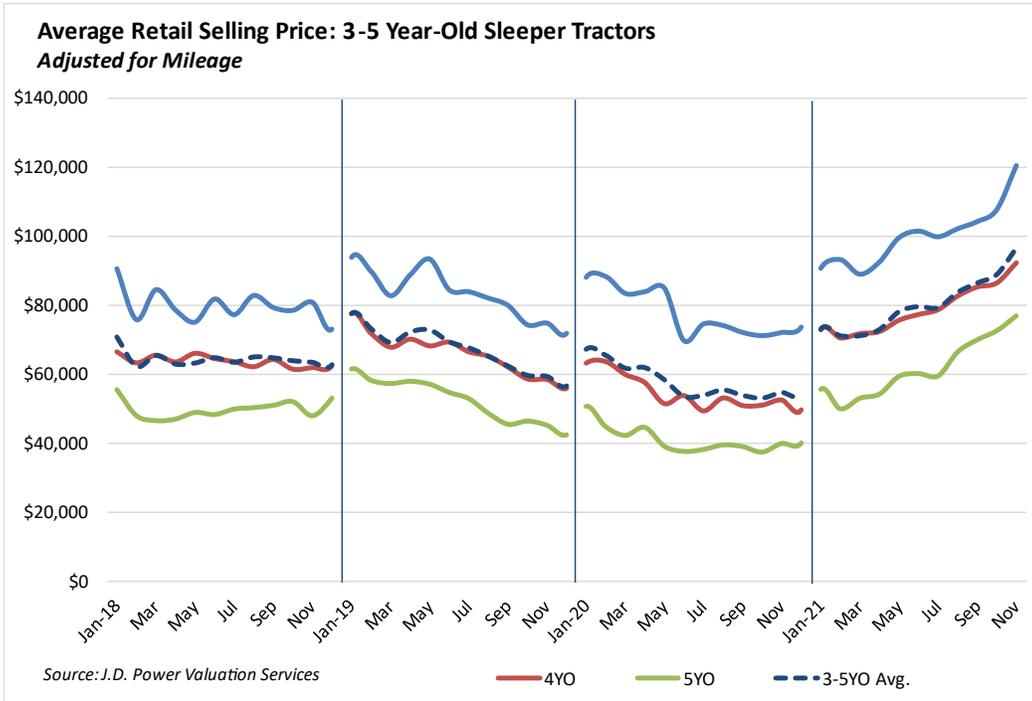
Month-over-month, late-model trucks brought 8.6% more money. In the first 11 months of 2021, late-model trucks were 37.4% ahead of the same period of 2020, and 17.5% ahead of the same period of 2019. On average, late-model trucks have appreciated 2.9% per month in 2021, and this figure is over 5% for trucks with lower-than-average mileage.

Buyers and sellers can be confident about market conditions in the first quarter of 2022. Subscribers to our residual value forecasts (not included here) saw another increase in 3, 4, and 5 year residuals. See the Forecast at the end of this document for additional thoughts.

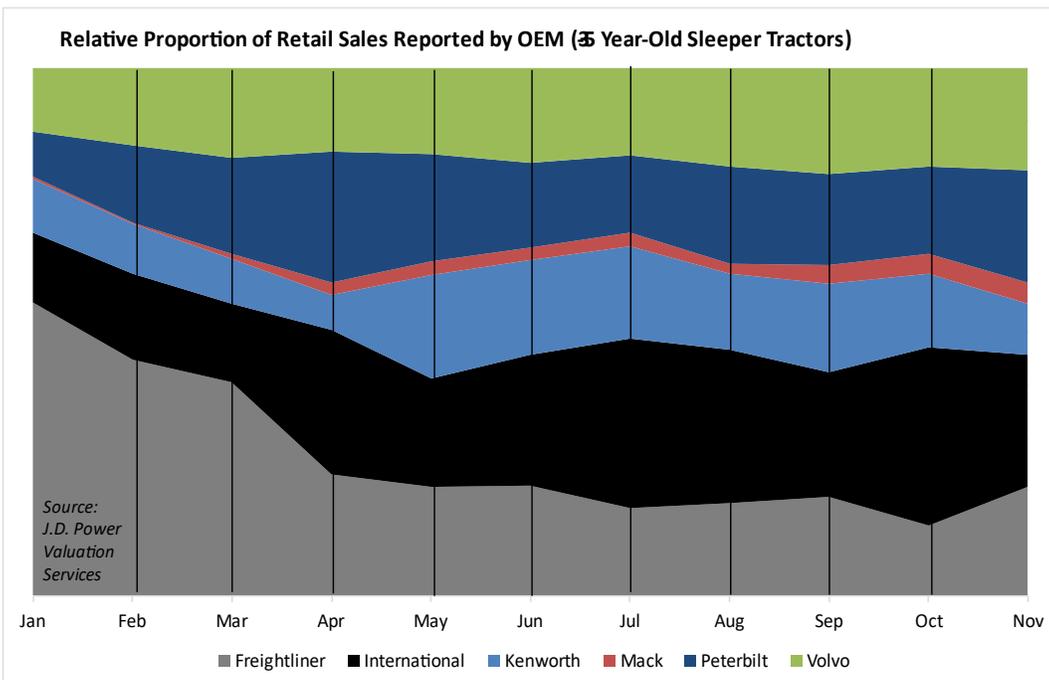
Dealers retailed an average of 4.5 trucks per rooftop in October, 0.2 truck higher than October. Year-over-year, the first 11 months of 2021 are running 0.6 truck ahead of the same period of 2020, and 0.8 truck higher than the same period of 2019. Sales volume remains constrained by supply.

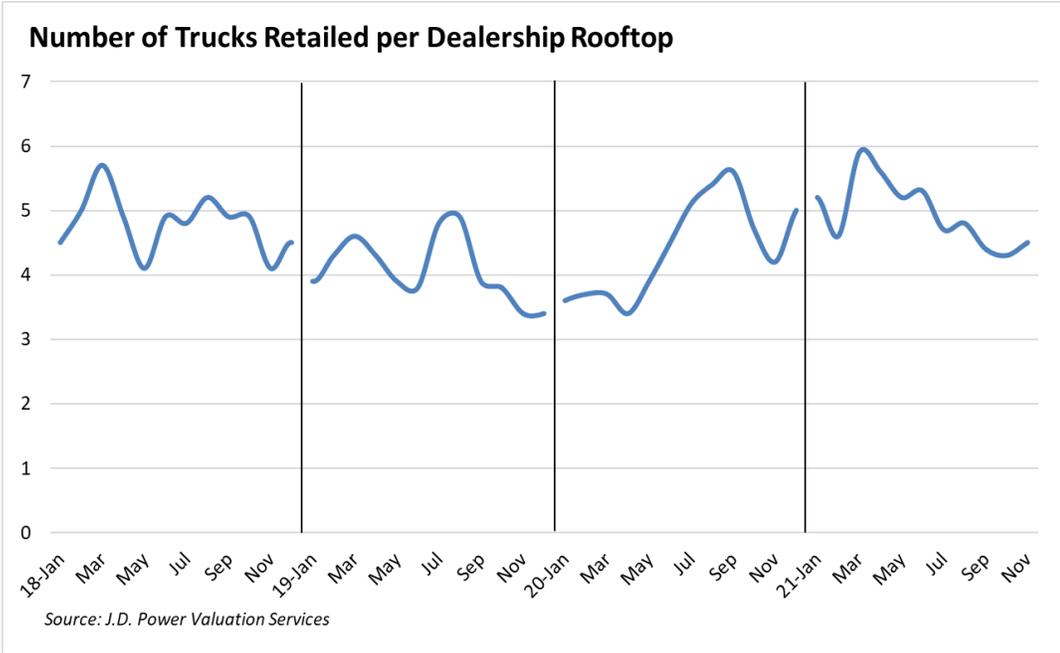
See graphs on next 2 pages for detail.

Buyers and sellers can be confident about market conditions in the first quarter of 2022.

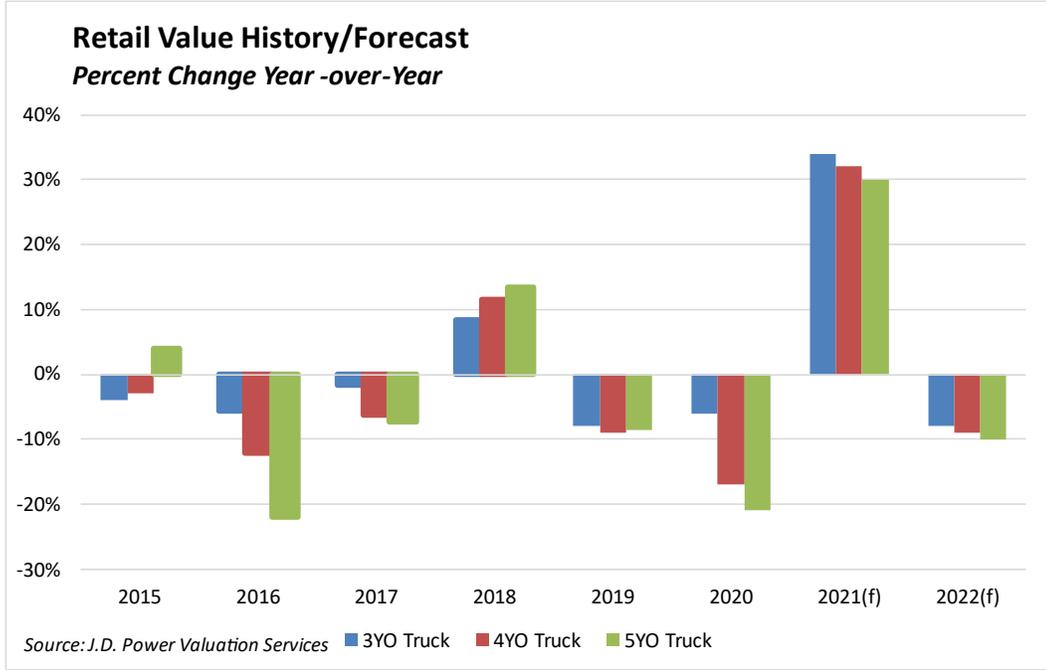


In the first 11 months of 2021, late-model trucks were 37.4% ahead of the same period of 2020, and 17.5% ahead of the same period of 2019.





Sales volume remains constrained by supply.



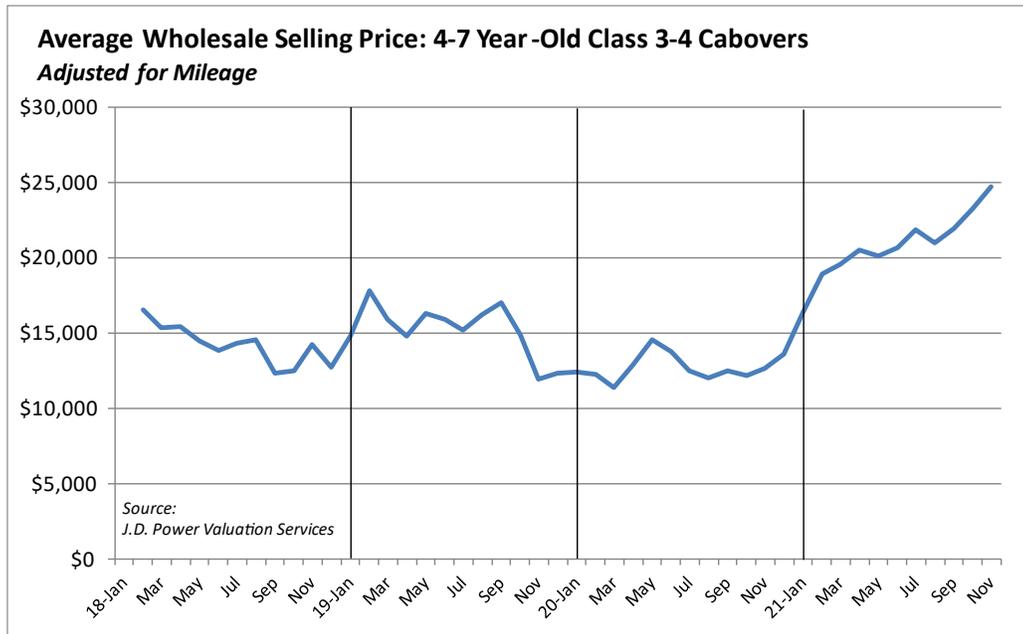
Note our residual value forecasts (available by subscription, not included here) provide a much more detailed analysis of future pricing.

MEDIUM DUTY TRUCKS

The medium duty market was strong across-the-board in November, with buyers paying a premium for any available trucks in advance of the holiday shipping season.

Starting with Class 3-4 cabovers, our benchmark group averaged \$26,356 in November. This figure is \$3,334 (14.5%) higher than October, and \$13,106 (98.9%) higher than November 2020. The first 11 months of 2021 are running 69.0% higher than the same period of 2020, and 37.3% higher than the same period of 2019. Trucks in this segment have gained an average of 3.2% per month in value so far in 2021.

See the “Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers” graph for detail.



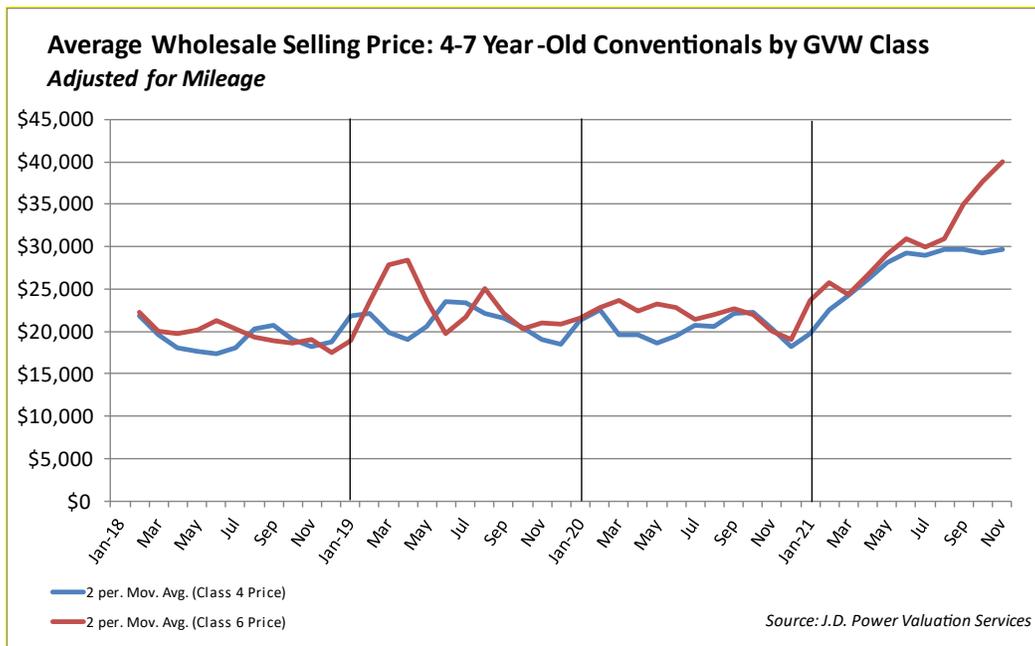
... buyers (are) paying a premium for any available trucks in advance of the holiday shipping season.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$29,758, \$732 (0.5%) higher than October, and \$10,719 (56.3%) higher than November 2020. The first 11 months of 2021 are now running 32.0% ahead of the same period of 2020, and 29.9% higher than the same period of 2019. Trucks in this segment have appreciated an average of 2.2% per month so far in 2021.

Class 6 conventional pricing averaged \$41,424 in November, \$2,717 (7.0%) higher than October, and \$22,008 (113.3%) higher than November 2020. The first

11 months of 2021 are running 43.4% ahead of the same period of 2020, and 35.7% higher than the same period of 2019. Trucks in this group have gained an average of 5.6% per month so far in 2021.

See the “Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class” graphs for detail.



FORECAST

We'll provide a 2021 wrap-up next month when we have a full 12 months of data, but looking forward, the most important factors in used truck pricing in 2022 will be freight rates, availability of new trucks, and returning supply of trades.

Firms that forecast rates show cents per mile staying positive year-over-year through the first half of 2022 - and volume positive into 2023 - despite all the current and impending changes to Fed activity, interest rates, COVID stimulus payments, and other variables. Our forecasting models incorporate these rosy freight rate outlooks, with a cautious eye on what will happen to consumer purchasing once these economic changes become reality. Basically, we're focused on the impact to demand once interest rates rise and stimulus payments stop.

... we still have a long way to go before OEM's are able to build enough trucks to meet demand.

Looking at new truck availability, as of mid-December, we might just now be seeing the earliest hints of improved parts and semiconductor availability, but we still have a long way to go before OEM's are able to build enough trucks to meet demand.

In terms of returning used truck trades, model-year 2019 trucks will be 4 years old as of January 1, and there were about 30% more of these trucks delivered than 2018's. The market will continue to quickly absorb every 2019 that becomes available through at least the first quarter. The higher potential volume may become more meaningful later in the year.

Otherwise, casual conversations with decisionmakers and observers across the industry show nearly everyone with a "long & strong" outlook on used truck pricing. It's certain that new truck availability will be tight well into 2022. It's also certain that used truck availability will be tight as long as buyers have confidence that freight rates will remain elevated. The trick is predicting when that confidence starts to erode. My personal opinion is we might see some movement there when the economic changes mentioned above come into play later in 2022. If you have a different viewpoint – or just want to tell me you agree – please give me a call.

... used truck availability will be tight as long as buyers have confidence that freight rates will remain elevated.

For further information about J.D. Power's residual forecasting, make and model benchmarking, raw data products, and other services, contact Chris Visser at chris.visser@jdpa.com.

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About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Troy, Michigan, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

About J.D. Power Valuation Services (formerly NADA Used Car Guide)

J.D. Power Valuation Services, formerly NADA Used Car Guide, is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the automotive industry rich data sets, strong analytics and over 130 years of market experience.

Commercial Truck Consulting Services

J.D. Power Valuation Services leverages its database of retail, wholesale, and auction transactions to provide residual value forecasting, inventory analysis, competitive model positioning, and other used truck market metrics. Consulting products are customized to each customer's specific needs. Contact Chris Visser to discuss J.D. Power's capabilities.

Commercial Truck Market Analysis

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